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# METROPOLITAN STORES


OF CANADA LIMITED



## *Annual* **REPORT**

***FISCAL YEAR ENDED JANUARY 31, 1968***

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**METROPOLITAN STORES OF CANADA LIMITED**



# METROPOLITAN STORES OF CANADA LIMITED

Head Office Winnipeg, Manitoba

## Directors

R. L. BAILEY	<i>Retired Banker</i>	Winnipeg, Man.
ALBERT D. COHEN	<i>President of General Distributors Limited</i>	Winnipeg, Man.
SAMUEL N. COHEN	<i>President of Metropolitan Stores of Canada Limited</i>	Winnipeg, Man.
MORLEY M. COHEN	<i>Executive Vice-President of Metropolitan Stores of Canada Limited</i>	Montreal, Que.
MICHAEL GREENBERG	<i>President of Greenberg Stores Limited</i>	Westmount, Que.
MELVIN L. GREENBERG	<i>Executive Vice-President of Greenberg Stores Limited</i>	Mount Royal, Que.
F. N. HUGHES	<i>Partner — Richardson Securities of Canada</i>	Winnipeg, Man.
G. R. HUNTER, Q.C.	<i>Partner — Pitblado Hoskin &amp; Company</i>	Winnipeg, Man.
J. H. UNGER	<i>Retired — Former President of Metropolitan Stores of Canada Limited</i>	London, Ont.

## Officers

ALBERT D. COHEN	<i>Chairman of the Board of Directors</i>
SAMUEL N. COHEN	<i>President</i>
MORLEY M. COHEN	<i>Executive Vice-President</i>
GEORGE W. HOLT	<i>Vice-President</i>
NORMAN RADUN	<i>Vice-President</i>
RALPH C. DUCKWORTH	<i>Comptroller</i>
G. R. HUNTER, Q.C.	<i>Secretary</i>
GLEN SHEPHERD	<i>Assistant Secretary</i>
R. KEITH FRASER	<i>Assistant Secretary</i>

*Registrar and Transfer Agent*

**NATIONAL TRUST COMPANY, LIMITED**

*Auditors*

**MCDONALD, CURRIE & CO.**



## REPORT OF DIRECTORS

To the Shareholders of  
Metropolitan Stores of Canada Limited:

In the seventh year of operation as a Canadian owned Company, sales and earnings again increased. The comparative tabulation of financial statistics show the continued growth of the Company.

METROPOLITAN and its wholly owned subsidiaries Saan and Greenberg today operate 149 stores across Canada. These stores are located in all provinces but Newfoundland.

Of major importance in the past year, was the acquisition of Greenberg Stores Limited. On July 31st, 1967, an offer to purchase a controlling interest in Greenberg's and its wholly owned subsidiary, Greenberg Department Stores (1962) Ltd., was accepted by the Greenberg's. These shares were listed on the Canadian Stock Exchange and the same offer was made at the same price per share to the minority shareholders.

GREENBERG STORES LIMITED on acquisition operated 18 junior department stores. Since July two new stores were opened located in Chambly and Ste. Therese, both in the Province of Quebec bringing the total number of stores to 20. The average store size in the Greenberg chain is 16,000 square feet. The Company specializes in wearing apparel for the family and domestic furnishings for the home.

Two new Greenberg stores will be opened during 1968. The first one is planned for Joliette, Quebec. The second store will be opened in "Les Galeries d'Anjou". This is a new shopping centre under construction in the east end of Montreal. Other locations are under consideration for further expansion of the Greenberg chain.

The importance of Greenberg's must be emphasized from the standpoint of opportunities for expansion not only in the important Quebec area but eastward and westward from a proven home base.

SAAN STORES LIMITED when acquired in 1962 operated 22 stores. Saan has also followed a policy of increasing the size of the new stores moving up to the Junior Department Store size in some of their new locations. Three new Saan Stores were opened in the past year bringing the total number of stores in this chain to 42. Seven new stores are planned to be opened in 1968.

A total of five small Metropolitan Stores were closed in 1967 as the size of these units did not permit efficient operation, nor could these stores be enlarged in their present locations. The aim of management is to expand the chain further through the opening of larger units.

Our Cobourg, Ontario store — 30,000 square feet in size — was opened in 1964 as an experiment in Junior Size Department Stores. The success of this unit resulted in a decision to expand further in this field and the next phase was the opening, this year, of a 70,000 square foot unit in the Treasure Island Shopping Centre, London, Ontario. The results to-date have been gratifying and your management is studying further expansion in this important phase of the operation.

In October a 10,000 square foot store opened in Prescott, Ontario. This new attractive store is the largest variety store in this area and has been well received by the public.

Two new Junior Department Stores will be opened in 1968. A 40,000 square foot Metropolitan Junior Department store is presently under construction in Bathurst, New Brunswick, which is the major store of this shopping complex. This unit is another step in our Junior Department Store policy of servicing developing areas. A 30,000 square foot Metropolitan Junior Department store will be opened in Campbellton, New Brunswick.

On October 27th, 1967, the Metropolitan store in Quebec City was completely destroyed by fire. The building was Company owned. Fire insurance was adequate to cover building, fixtures and stock. As this is one of the prime retail locations in the City of Quebec plans are now well underway for a new structure which will be increased in size over the former area. The new store will be ready for occupancy by late 1968.

A number of other locations are being considered in Metropolitan expansion plans for 1968. Wherever possible, Metropolitan stores are being enlarged in their present locations and as our renovation program is nearing its completion there will be a limited program for 1968 in that direction.

The avenue of growth through acquisition is also a prime aim. As opportunities arise, consideration will be given to the continued improvement of the Company through this method of expansion.

## FINANCING

The total cost of Greenberg Stores Limited was four million and eight hundred thousand dollars. On December 1st, 1967, a new 6½% preferred issue known as Metropolitan 1967 series preferred was offered to the public in the total value of three million dollars. The balance of the purchase price was paid by cash generated through operations.

No new financing is anticipated for 1968 requirements in the expansion of the chain. Debt is being retired on the scheduled basis.

## EARNINGS

Earnings for the year ended January 31, 1968 before extraordinary items were \$1,762,137 as compared with \$1,239,840 in the previous year. After dividend payments of \$194,870 on the preferred shares 1961 series, earnings from ordinary operations were \$1,567,267 equivalent to \$1.83 per common share. However, these earnings include earnings of Greenberg Stores Limited for the six months of the fiscal year during which it was a subsidiary. No dividend was payable in that fiscal year on the preferred shares, 1967 series that were issued to finance the acquisition of the subsidiary. Had the preferred shares, 1967 series been outstanding for the period the earnings are included, a dividend of \$97,500 would have accrued and the earnings available per common share would have been \$1,469,767 equivalent to \$1.72 per common share.

## SALES

Sales of the Company in the year under review increased 32.6% to \$50,018,434 which compares with \$37,740,336 in the previous fiscal period.

## STORE EXPANSION AND MODERNIZATION

Net additions to fixed assets in 1967 totalled \$1,156,598.

## METROPOLITAN

*New stores opened:*

Ontario — Treasure Island Junior Department Store—London.  
Prescott

*Modernized and renovated:*

Nova Scotia — Halifax Gottingen St. (enlarged in size)  
Bridgewater (enlarged in size)  
Prince Edward Island — Summerside (enlarged in size)  
Ontario — Waterloo (modernized)  
Manitoba — Winnipeg (restaurant enlarged in size)  
Dauphin (modernized)  
Alberta — Calgary (restaurant enlarged in size)

## SAAN

*New stores opened:*

Manitoba — Swan River  
Alberta — Edmonton (Jasper Place)  
British Columbia — Nelson

*Modernized and renovated:*

Manitoba — Brandon  
Alberta — Calgary  
British Columbia — Vernon  
Revelstoke



METROPOLITAN No. 321  
TREASURE ISLAND  
SHOPPING CENTRE  
LONDON, ONT.



SAAN No. 41  
NELSON, B.C.

GREENBERG'S No. 222  
STE. THERESE, QUE.





## GREENBERG

### *New stores opened:*

Quebec — Chambly  
Ste. Therese

### *Modernized and renovated:*

Quebec — Montreal — St. Catherines St. East  
Montreal — Mount Royal St. East  
St. Jean  
St. Jérôme

## DIVIDENDS

The fixed rate of \$1.30 per annum was paid on the Company's Cumulative Redeemable Preferred Shares, 1961 series.

## IN APPRECIATION

The past year under review has been a most gratifying one. The integration of Greenberg Stores Limited into the Metropolitan group has been accomplished smoothly and efficiently. Our three chains under one group of Directors will, we are certain, continue to grow in the future.


We are continually striving for most reasonable prices, commensurate with quality, in our wide range of merchandise for the consumer. Increased sales are a measure of this success.

Your directors wish to express their deep appreciation to our staff and dependable suppliers of merchandise for their co-operation.

## THE FUTURE

We plan further expansion in 1968 by the opening of new stores and by expanding and renewing existing units.

Because of the nature of our business and our continued consumer acceptance, we may reasonably expect increases in sales and earnings.

 *Chairman of the  
Board of Directors*

Winnipeg, Canada  
March, 1968.

 *President*



**MCDONALD, CURRIE & CO.**

CHARTERED ACCOUNTANTS

INTERNATIONAL FIRM  
COOPERS & LYBRAND

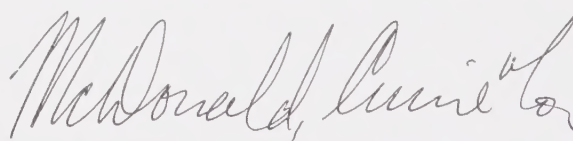
TELEPHONE 875-5140  
630 DORCHESTER BOULEVARD WEST  
MONTREAL 2, CANADA

March 4, 1968

**AUDITORS' REPORT TO THE SHAREHOLDERS**

We have examined the consolidated balance sheet of Metropolitan Stores of Canada Limited and its subsidiaries as at January 31, 1968 and the consolidated statements of earnings and retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at January 31, 1968 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A handwritten signature in cursive script, reading "McDonald, Currie & Co.", positioned above the firm's name.

CHARTERED ACCOUNTANTS



# METROPOLITAN STORES OF CANADA LIMITED

(Incorporated under the laws of Canada)

## AND ITS WHOLLY-OWNED SUBSIDIARIES

ASSETS		1968	1967
<b>CURRENT</b>		\$	\$
Cash and short-term deposits		1,548,439	392,800
Marketable securities — at cost (quoted value \$25,308)		27,680	---
Receivables		529,794	134,261
Inventories — at lower of cost or net realizable value		8,492,998	6,474,386
Prepaid expenses		216,811	175,022
		<u>10,815,722</u>	<u>7,176,469</u>
<b>FIXED</b>			
Land — at cost		5,780,512	5,703,812
Buildings, fixtures and equipment — at cost less accumulated depreciation (note 2)		8,146,032	7,506,427
Leasehold improvements — at cost less amortization		1,394,583	711,065
		<u>15,321,127</u>	<u>13,921,304</u>
<b>OTHER</b>			
Advances and investments		219,532	93,374
Special refundable income tax		107,932	71,263
		<u>327,464</u>	<u>164,637</u>
<b>EXCESS OF COST OF INVESTMENT IN SHARES OF A SUBSIDIARY COMPANY OVER THE BOOK VALUE OF NET ASSETS</b>		<u>2,774,462</u>	<u>---</u>
		<u>29,238,775</u>	<u>21,262,410</u>
<b>SIGNED ON BEHALF OF THE BOARD</b>			
ALBERT D. COHEN	Directors		
SAMUEL N. COHEN			

### NOTES:—

#### 1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of all subsidiary companies.

One of the subsidiaries was acquired effective August 1, 1967 and only its operations since that date have been included in the consolidated financial statements. The company undertook to purchase 100% of the outstanding shares of this subsidiary. By January 31, 1968 99.6% of these shares had been acquired and subsequent to that date substantially all of the remaining shares have been acquired.

#### 2. FIXED ASSETS

Buildings, fixtures and equipment and related accumulated depreciation are classified as follows:

	1968			1967
	Cost	Accumulated depreciation	Net	Net
	\$	\$	\$	\$
Buildings	6,256,418	1,500,604	4,755,814	5,027,631
Fixtures and equipment	6,305,479	2,915,261	3,390,218	2,478,796
	<u>12,561,897</u>	<u>4,415,865</u>	<u>8,146,032</u>	<u>7,506,427</u>



# CONSOLIDATED BALANCE SHEET

## AS AT JANUARY 31, 1968

(With comparative figures as at January 31, 1967)

		<b>LIABILITIES</b>	
		1968	1967
<b>CURRENT</b>		\$	\$
Bank advances		1,875,202	967,213
Note payable		1,000,000	300,000
Accounts payable and accrued liabilities		3,309,931	1,683,670
Income and other taxes		961,642	690,469
Long-term debt instalments due within one year		55,990	14,964
		<u>7,202,765</u>	<u>3,656,316</u>
<b>LONG-TERM DEBT (Note 3)</b>		6,243,669	6,264,659
<b>DEFERRED INCOME TAXES (note 4)</b>		317,771	204,123
		<u>13,764,205</u>	<u>10,125,098</u>

		<b>SHAREHOLDERS' EQUITY</b>	
		1968	1967
<b>CAPITAL STOCK</b>			
Authorized (note 5) —			
500,000 preferred shares			
1,500,000 common shares			
Issued and fully paid —			
146,750 preferred shares, 1961 series (149,900 in 1967) (3,150 shares were redeemed at par in 1968)			
150,000 preferred shares, 1967 series (issued during the year for cash)		5,935,000	2,998,000
852,921 common shares		4,751,026	4,751,026
		<u>10,686,026</u>	<u>7,749,026</u>
<b>RETAINED EARNINGS</b>			
Appropriated for redemption of preferred shares under the terms thereof and in respect of preferred shares redeemed as required by law (note 6)		165,000	102,000
Unappropriated (note 7)		4,623,544	3,286,286
		<u>4,788,544</u>	<u>3,388,286</u>
		<u>15,474,570</u>	<u>11,137,312</u>
		<u>29,238,775</u>	<u>21,262,410</u>

3. LONG-TERM DEBT	Current portion payable within one year		Payable after one year	
This consists of:	1968	1967	1968	1967
Metropolitan Stores of Canada Limited	\$	\$	\$	\$
6½% first mortgage sinking fund bonds, Series "A", having a sinking fund requirement of \$195,000 in 1968 and progressively increasing annual requirements to a final maximum payment of \$540,000 in 1984.	195,000	185,000	5,625,000	5,820,000
Less: Bonds purchased in advance of requirement.	195,000	185,000	90,000	—
	<u>—</u>	<u>—</u>	<u>5,535,000</u>	<u>5,820,000</u>
6¾% mortgage repayable by 1983 in monthly instalments of principal and interest of \$3,759.	15,990	14,964	428,669	444,659
Greenberg's Department Stores (1962) Ltd.				
5% unsecured notes repayable by 1974 in annual instalments of \$40,000.	40,000	—	280,000	—
	<u>55,990</u>	<u>14,964</u>	<u>6,243,669</u>	<u>6,264,659</u>



#### 4. DEFERRED INCOME TAXES

The balance as at January 31, 1968 consists of:

Reduction of income taxes payable in prior years as a result of claiming capital cost allowances in excess of amounts recorded in the accounts (including amount in accounts of a subsidiary at the date of its acquisition during the year).	291,323
Less: Increase in income taxes for current year.	20,914
	<hr/> 270,409
Income tax applicable to net proceeds from fire insurance claim.	47,362
	<hr/> <u>\$317,771</u>

#### 5. CAPITAL STOCK

Authorized—

500,000 preferred shares of the par value of \$20 (increased during the year by 250,000 shares by Supplementary Letters Patent dated October 2, 1967) of which 150,000 are designated as 1961 series and 150,000 as 1967 series, both series being entitled to a fixed cumulative dividend of \$1.30 per annum; the 1961 series are redeemable at \$21.25 per share and the 1967 series are redeemable at \$21.25 per share to November 1, 1977 and thereafter decreasing 25 cents per share in succeeding years to \$20.50 after November 1, 1979.

1,500,000 common shares without nominal or par value.

#### 6. RETAINED EARNINGS

Appropriated retained earnings include an amount of \$100,000 (\$100,000 in 1967) set aside for the redemption of preferred shares, 1961 series, under the terms thereof and an amount of \$65,000 (\$2,000 in 1967) set aside as required by law equal to the par value of preferred shares, 1961 series, redeemed.

#### 7. DIVIDEND RESTRICTIONS

The provisions of the Trust Deed securing the first mortgage sinking fund bonds, Series A, restrict the payment of dividends on common and preferred shares under certain conditions relating to the working capital and ratio of long-term debt and lease commitments to consolidated net tangible assets.

The payment of dividends is presently not restricted by these requirements which are exceeded by a substantial margin.

#### 8. COST OF GOODS SOLD AND OPERATING EXPENSES

	1968	1967
The following charges are included:—	\$	\$
Directors' remuneration	201,150	143,400
Depreciation of fixed assets and amortization of leasehold improvements	975,518	849,693
Interest on long-term debt	402,489	419,823

#### 9. LEASE COMMITMENTS

Rentals paid on property leases for the year ended January 31, 1968 amounted to \$2,023,363. Minimum annual rentals in subsequent years on long-term property leases in effect at January 31, 1968 are:

Year ended January 31	Minimum annual rental
1969	\$1,495,755
1970	1,488,050
1971	1,430,401
1972	1,379,579
1973	1,309,329

Certain of these leases provide for additional rental based on sales. In addition, other leases are in effect providing for the payment of rental based on sales.



# CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

**FOR THE YEAR ENDED JANUARY 31, 1968**

(With comparative figures for year ended January 31, 1967)

	1968 \$	1967 \$
SALES	50,018,434	37,740,336
COST OF GOODS SOLD AND OPERATING EXPENSES (Note 8)	46,418,568	35,228,864
	<u>3,599,866</u>	<u>2,511,472</u>
PROVISION FOR INCOME TAXES (Note 4)	1,837,729	1,271,632
EARNINGS BEFORE THE FOLLOWING EXTRAORDINARY ITEMS	<u>1,762,137</u>	<u>1,239,840</u>
Financing expenses arising on the issue of preferred shares and interest charges incurred in respect of the acquisition of a subsidiary pending the issue of the preferred shares	212,879	---
Estimated net proceeds arising from fire loss claim after deducting deferred income tax of \$47,362 (note 4)	( 45,870)	---
Gain on expropriation of leasehold interest	---	( 109,730)
	<u>167,009</u>	<u>( 109,730)</u>
NET EARNINGS FOR THE YEAR	1,595,128	1,349,570
RETAINED EARNINGS — BEGINNING OF YEAR	3,388,286	2,233,716
	4,983,414	3,583,286
Cash dividends on preferred shares, 1961 series, of \$1.30 per share	194,870	195,000
RETAINED EARNINGS — END OF YEAR	<u><u>4,788,544</u></u>	<u><u>3,388,286</u></u>

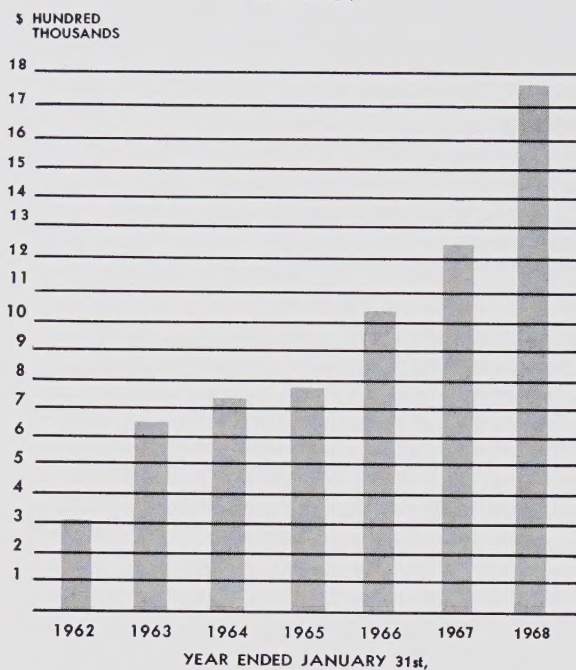
## SOURCE AND USE OF FUNDS

	1968 \$	1967 \$
SOURCE OF FUNDS		
Net earnings for the year	1,595,128	1,349,570
Add: Charges not requiring cash outlay —		
Depreciation of fixed assets and amortization of leasehold improvements	975,518	849,693
Increase in deferred income taxes	113,648	5,823
Proceeds of issue of preferred shares, 1967 series	3,000,000	---
5% unsecured notes payable of subsidiary	320,000	---
	<u>6,004,294</u>	<u>2,205,086</u>
USE OF FUNDS		
Additions to fixed assets — net	2,375,341	1,481,936
Increase in other assets	162,827	86,283
Dividends on preferred shares	194,870	195,000
Purchase of 6½% first mortgage sinking fund bonds (note 3)	285,000	185,000
Instalments of long-term debt maturing in one year	55,990	14,964
Redemption of preferred shares, 1961 series	63,000	2,000
Excess of cost of investment in shares of a subsidiary company over the book value of net assets	2,774,462	---
	<u>5,911,490</u>	<u>1,965,183</u>
INCREASE IN WORKING CAPITAL	92,804	239,903
WORKING CAPITAL — BEGINNING OF YEAR	3,520,153	3,280,250
WORKING CAPITAL — END OF YEAR	<u><u>3,612,957</u></u>	<u><u>3,520,153</u></u>

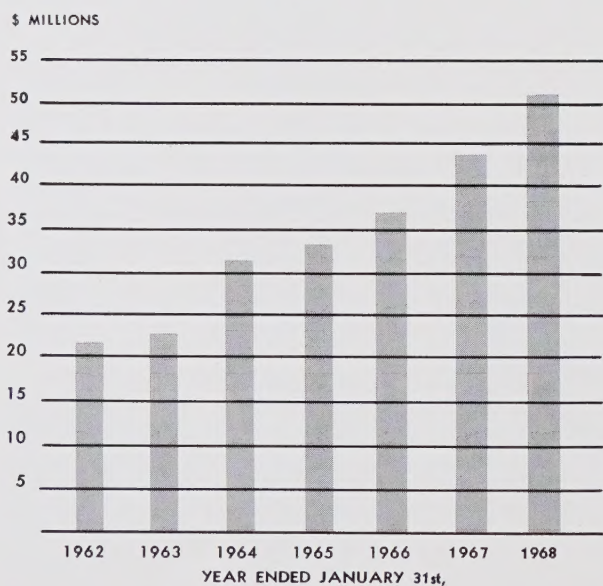
## FINANCIAL SUMMARY

	Years Ended January 31						
	1968	1967	1966	1965	1964	1963	1962
Number of Stores - -	149	130	126	114	111	111	87
Sales - - - - -	50,018,434	37,740,336	32,667,338	28,767,320	25,939,724	23,185,334	20,492,362
Earnings after tax - -	1,762,137	1,239,840	1,041,083	799,365	723,393	646,367	301,632
Preferred dividend - -	194,870	195,000	195,000	195,000	195,000	195,000	97,500
Earnings for common shareholders - - - -	1,567,267	1,044,840	846,083	604,365	528,393	451,367	204,132
Earnings per common share - - - - -	\$1.83	\$1.22	99.1¢	70.8¢	62¢	52.9¢	27.8¢

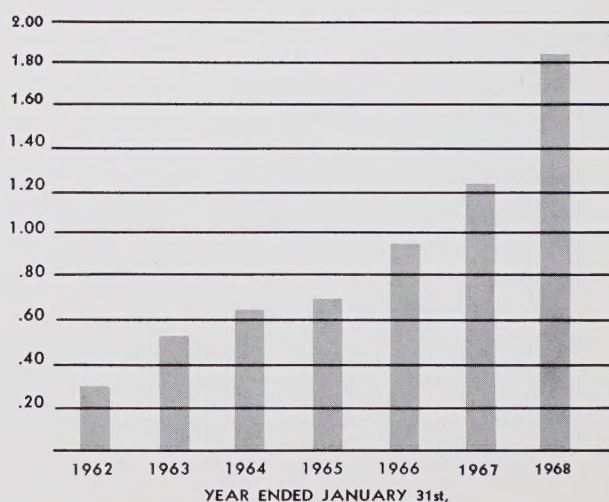
EARNINGS



SALES



EARNINGS PER COMMON SHARE





## LOCATIONS OF METROPOLITAN STORES

### ONTARIO 40

Aylmer  
Belleville  
Brantford  
Chatham  
Cobourg  
Cornwall  
Deep River  
Forest  
Fort William  
Kingston  
Kirkland Lake  
Leamington  
London (3)  
Niagara Falls  
Orillia  
Oshawa  
Ottawa (2)  
Parry Sound

Peterborough  
Port Arthur  
Prescott  
St. Catharines  
St. Thomas  
Sarnia  
Sault Ste. Marie  
Stratford  
Tillsonburg  
Timmins  
Toronto (2)  
Wallaceburg  
Waterloo  
Willowdale  
Windsor (3)  
Woodstock

### NOVA SCOTIA 18

Amherst  
Antigonish  
Bridgewater  
Dartmouth  
Digby  
Glace Bay  
Greenwood  
Halifax (2)  
Kentville  
Liverpool  
Lunenburg  
New Glasgow  
North Sydney  
Sydney (2)  
Truro  
Yarmouth

### QUEBEC 5

Hull  
Joliette  
Quebec  
Rouyn  
Sherbrooke

### SASKATCHEWAN 7

Moose Jaw  
North Battleford  
Prince Albert  
Regina  
Saskatoon  
Swift Current  
Yorkton

### MANITOBA 4

Brandon  
Dauphin  
Portage la Prairie  
Winnipeg

### BRITISH COLUMBIA 5

Kelowna  
Nanaimo  
New Westminster  
Vancouver  
Victoria

### NEW BRUNSWICK 3

Fredericton  
Moncton  
Saint John

### ALBERTA 3

Calgary  
Edmonton  
Lethbridge

### PRINCE EDWARD ISLAND 2

Charlottetown  
Summerside

## LOCATIONS OF SAAN STORES

### MANITOBA 5

Brandon  
Dauphin  
Portage la Prairie  
Swan River  
The Pas

### SASKATCHEWAN 12

Estevan  
Humboldt  
Melfort  
Moose Jaw  
North Battleford  
Prince Albert  
Regina  
Saskatoon (2)  
Swift Current  
Weyburn  
Yorkton

### ALBERTA 11

Calgary (2)  
Camrose  
Drumheller  
Edmonton (3)  
Grande Prairie  
Lethbridge  
Red Deer  
Stettler

### BRITISH COLUMBIA 14

Abbotsford  
Chilliwack  
Cranbrook  
Comox  
Dawson Creek  
Fort St. John  
Kamloops  
Kelowna  
Nelson  
Nanaimo  
Penticton  
Port Alberni  
Revelstoke  
Vernon

## LOCATIONS OF GREENBERG STORES

### QUEBEC 20

Chambly  
Granby  
Levis

Montreal (11)  
Quebec  
Ste. Anne

St. Hyacinthe  
St. Jean

St. Jerome  
Three Rivers

**MET**

